

Textiles/fabrics

Summary

In 2004, the overall Swiss market for textiles and fabrics was valued at USD 1.823 billion and is forecast to increase between 3-5% in 2005. The total import market share was valued at USD 1.776 billion (Sfr. 2.131 billion) with U.S. imports amounting to USD 35 million. U.S. suppliers garnered an import market share of 2%. The lion's share of imports is of European Union (EU) origin, representing an import market share of 81%. The bulk of the Swiss demand for textiles and fabrics, estimated at 97%, is covered by imports.

Switzerland has a strong textile and fabrics manufacturing industry with most of the output earmarked for exports. The Swiss market is highly competitive in both the low-priced and high-priced segments of textiles and fabrics market. Market demand for textiles in the high tech and wellness segments as well as high-end fabrics/home textiles was particularly strong in 2004, and these products will continue to bear excellent market potential.

Market Overview

After several years of declining demand, market demand for textiles and fabrics increased 2.9% in 2004, reaching USD 1.823 billion. Industry experts predict a further upswing in demand in 2005, which will help to resuscitate the overall textile and fabrics market. Market demand is forecast to grow between 3-5% in 2005 and is expected to continue to grow in 2006/2007.

In the past few years, there has been rationalization among Swiss textile and fabric manufacturers as a result of fierce competition stemming from low-wage countries. Swiss textile and fabric manufacturers at present comprise 180 companies, employing approximately 12,000 individuals. Most of the Swiss production output of textiles and fabrics is exported, and the majority of Swiss demand for fabrics and textiles is covered by imports, which accounted for 97% of total market demand in 2004.

Given the strong price competition in the market, the best opportunities for U.S. manufacturers are in niche markets, particularly for home textiles and high-end fabrics, in general. Furthermore, as a result of a high degree of technological know-how and expertise, U.S. manufacturers of technical textiles are highly regarded in the Swiss market. Technical textiles make up approximately one third of Switzerland's overall textile market demand. U.S.-made products that are in strong demand include the following: synthetic fibers; high performance knits; water repellent, antibacterial, UV-blocking, and reflective fabrics; high tech woven waterproof and breathable fabrics; and high insulation fleece. U.S. producers are, therefore, encouraged to penetrate the Swiss market to take advantage of the rising demand for such products.

Market Trends

In 2004, demand was especially strong for innovative fabrics like geo textiles, technical and industrial textiles and home textiles. U.S. suppliers in those areas are encouraged to consider Switzerland as a potential export market. To be successful in the Swiss market, fabrics and textiles must meet the high quality standards of Swiss end users, including commercial establishments and consumers. U.S. manufacturers that demonstrate innovation based upon new technology will have

the best opportunities to succeed in Switzerland. This holds particularly true for the textiles of the future that are based upon comfort, functionality, health and safety, including technical textiles for sportswear and for the medical industry.

Although the Swiss industrial textiles and fabrics market is mature, it still offers opportunities for the importation of industrial fabrics. This market condition, coupled with a well-developed manufacturing base, ensures a rising need for specialized textiles for technical uses. U.S. suppliers should note that demand for industrial textiles and fabrics is quality-driven, with prospective suppliers having to show ingenuity and innovation.

U.S. suppliers should introduce into the market individual products with a high know-how and quality content, specialize and concentrate on niche products, adopt a flexible approach to the market and strengthen their marketing efforts. Swiss producers, wholesalers and consumers of textiles and fabrics alike put high emphasis on style and performance and are willing to pay higher prices for high quality and special features.

Import Market

The following table shows the Swiss market size in U.S. dollars/millions for textiles and fabrics, including spinning materials, yarns, woven/knitted fabrics, embroidery/tulle, home textiles, and technical textiles:

	2003	2004	2005 (estimated)
Total Market Size	1.737	1.823	1.861
Total Local Production *	1.733	1.785	1.838
Total Exports	1.748	1.738	1.806
Total Imports	1.752	1.776	1.829
Imports from the U.S.	49	35	37

Exchange rate used e.g. Sfr. per USD: Sfr. 1.20

Estimated future inflation rate: less than 1%

Sources: The data noted above was compiled using official figures published by the Swiss Textile Association and Customs Authorities.

* It should be noted that "local production" figures are estimates as Swiss manufacturers interviewed exercised caution when asked to disclose local production figures that are considered proprietary.

Competition

There are over 180 Swiss companies involved in manufacturing different types of textiles and fabrics, encompassing technical textiles, knitted/woven fabrics, embroidery, home textiles, and fibers. In 2004, only 3% or USD 54 million of Swiss production was destined for the domestic market, while most Swiss production, valued at USD 1.731 billion, was exported. Imports of fabrics, tulle, lace, home textiles as well as technical textiles fared particularly well last year and are projected to bear excellent market potential in the coming years. The present market environment constitutes opportunities for U.S. suppliers that serve the home textile, high-end fabrics, as well as chemical and technical textiles.

Imports of textiles and fabrics increased modestly in 2004, rising by 1.3% to reach a total value of USD 1.776 billion. In 2004, imports represented 97% of total market. Germany and Italy, combined garnered the largest import market share of

51%, followed by Austria with 7%, and France, 6.7%. Imports from China were valued at USD 46 million, representing a 2.5% market share.

In 2004, imports from the United States decreased sharply to USD 35 million (Sfr. 41.5 million), representing a precipitous 30% decline from the previous year. The main reason for the decline is the fact that the major retail players in Switzerland, including Manor, Migros and Coop, set up purchasing offices in Asia to gain access to inexpensive textiles from the region. This trend has had a negative effect upon the import volume from the United States. Importers and distributors of textiles and fabrics have followed suit by sourcing from low-cost countries in Asia.

Since Switzerland does not have a quota regime in place, the Swiss market is susceptible to competition from producers of textiles and fabrics from low-cost countries. Furthermore, the life cycle of many products is becoming increasingly short. This is an area that may be exploited. U.S. suppliers that have the ability to commercialize new products in increasingly shorter time periods are more competitive in this market.

End Users

There are three main end-user categories of textiles and fabrics: commercial/industrial establishments, consumers, and textile-product manufacturers.

There are a small number of Swiss industrial textile and fabrics companies that both manufacture and import. They provide textiles and fabrics for the aerospace, transportation, medical and safety industries. One of the key players is Lantal Textiles, a leader in the design, production, and distribution of textiles and services for the international community of operators of aircraft, buses, trains, and cruise ships.

Swiss consumers are the ultimate end-users of finished products made with imported fabrics and textiles. Even during times of slow economic growth -- the average income per household on a monthly basis amounts to USD 7,350 -- with households having less disposable income available, Swiss consumers still show a predilection to allocate fairly sizable amounts for high-quality items to enhance their living standards. Home textiles are subject to trends in Switzerland just as are garments. Consumers continue to grace homes with high quality modern decorative furniture, tapestry fabrics, Venetian and roller blind fabrics, and linens, which comprised most of the demand in 2004.

There are seemingly contradictory trends in consumer demand afoot in Switzerland. On one hand, customers increasingly shop for high-quality goods at low prices, and, on the other hand, they are willing to pay high prices for well-known brand names. Single households, by and large, have a relatively high per-capita income. As this consumer group is especially interested in a cozy home, it is expected that the demand for home textiles in Switzerland will increase according to demographic changes. The average person between 35 and 64 spends USD 200 each month on home textiles, while individuals aged 65 and higher allocated USD 125 each month for such items. The older generation, usually prone to retain textile items for decades, has also become more fashion-oriented with respect to redecorating homes and procuring textile products. The old tradition, whereby a family would keep curtains and linens for years, has given way to more frequent acquisitions. In recent years,

Swiss consumers have been changing homes more often, creating a greater demand for home textiles. Home textiles and high-end fabrics, in general, fare well in Switzerland, as consumers increasingly show receptivity for such products.

Switzerland has a fair number of home textile manufacturers/wholesalers that use textiles and fabrics in their end products. With textiles and fabrics used in upholstery, seating, walls and windows and interior fittings, in general, Swiss home textile producers reach out to wide range of clientele with groundbreaking and innovative products. They include durable goods, cleanable and environmentally safe materials for high traffic areas, as well as textiles applied to walls and seating.

Market Access

The Swiss economy is highly integrated internationally, capitalizing on an open trade regime for industrial products. Tariffs on manufactured products are generally low, and, in principle, there are no quantitative restrictions, anti-dumping, countervailing duties or other safeguard actions. Having one of the most liberal and competitive economies in the world, Switzerland is a highly sophisticated, technologically advanced, quality-conscious and competitive market that operates under the precepts of free enterprise and freedom of trade and commerce. U.S. exporters face stern competition stemming from Switzerland's major trading partners in the European Union, and particularly from Germany and Italy. There are no major roadblocks against imports of textiles.

The 1972 Free Trade Agreement between Switzerland and the European Community eliminated customs duties and other trade restrictions for industrial and agricultural products. Free trade is hence possible for about 90% of the trade in goods of Swiss or EU origin. This free trade is also applicable to the European Free Trade Association (EFTA) of which Switzerland is a member. The preponderance of U.S. shipments of goods to Switzerland are assessed a customs duty, which is tied to weight rather than to value. In order to compute duties owed, Swiss customs authorities utilize the Harmonized System (HS). The duty fee is levied in 100 kilogram-increments of the gross dutiable weight, unless some other method of calculation is specified in the tariff e.g. per unit, per meter or per liter. The gross dutiable weight comprises the actual weight of the commodities and their packing material, inclusive of any affixed material and supports placed upon the goods. Switzerland is a signatory to the WTO agreements on public procurement. Moreover, textiles and fabrics earmarked for the Swiss market are subject to the Value-Added-Tax (VAT), which at present is assessed at 7.6%. The VAT is assessed based upon the value of the imported commodities.

The commercial relationship in textiles is mainly governed by WTO Agreement on Textiles and Clothing (ACT), which provides for the progressive application of the GATT rules to the sector. Switzerland has no quota restrictions.

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Market Entry

Receptivity is high for U.S. textiles and fabrics. U.S. exporters should plan to establish long-term relationships with their Swiss partners. It is often more difficult to arrange personal meetings with prospective Swiss business partners without first expressing commitment to the Swiss market. U.S. exporters should be prepared to meet Swiss customers' needs; this often means a willingness to ship in small volumes and to work directly with a Swiss importer or distributor rather than through a representative in a neighboring country.

For export-ready U.S. suppliers set to gain a foothold in the Swiss market, the U.S. Department of Commerce offers the Gold Key Service (GKS) program, which has a proven record to help U.S. companies to gain access to the Swiss market. The popular and effective GKS is a customized program designed to pave the way for U.S. suppliers to penetrate the Swiss market. Through this service, the commercial specialist responsible for the textile and fabrics industry arranges appointments with prospective business partners. Please contact the U.S. Commercial Service in Zurich for further information to include the GKS fee, guidance on how to sign up for a GKS etc. Please contact the commercial specialist in Zurich, who may be reached at: +41-43-499-2972 (tel) or email: sandor.galambos@mail.doc.gov

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